

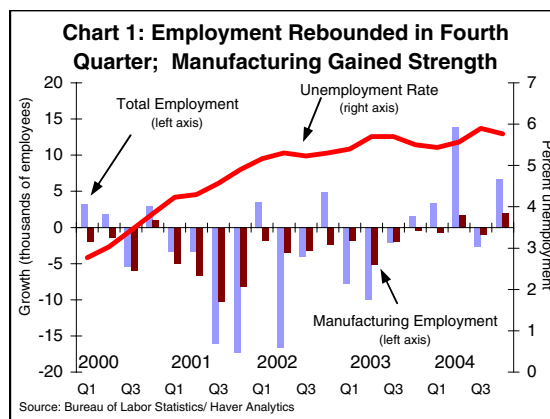
FDIC State Profile

Spring 2005

Missouri

Missouri's labor market improved in the fourth quarter.

- Missouri's economy added 6,700 jobs in the fourth quarter, contributing to an increase of more than 21,000 jobs in 2004, the largest annual increase since 1999 (See Chart 1). The largest gains were in the trade, transportation, utilities, and finance sectors.
- The manufacturing sector added 1,900 jobs in the fourth quarter, contributing to the first increase in a calendar year since 1999. In the past 18 months, however, manufacturing employers have recovered fewer than 2,000 of the more than 67,000 jobs lost in the previous six years.
- The unemployment rate declined to 5.8 percent in the fourth quarter, compared with 5.5 percent one year earlier.



Banking performance remains solid.

- Asset quality, which suffered only modestly through Missouri's 2000-03 economic downturn, continues to improve (See Table 1). After remaining flat from 2000 through 2002, loan volume has climbed the last two years and stands at a high 70.4 percent of assets.
- Loan mix continues shifting into real estate lending, specifically commercial real estate (CRE) and farmland. The median CRE loan-to-asset ratio has increased sharply over the past five years, from 19.9 percent in 2000 to 26.3 percent in 2004. Business lending has been steady and residential, agriculture production, and consumer lending have declined.
- The proportion of unprofitable, established institutions in Missouri was 1.9 percent at year-end 2004, unchanged from the previous year.¹

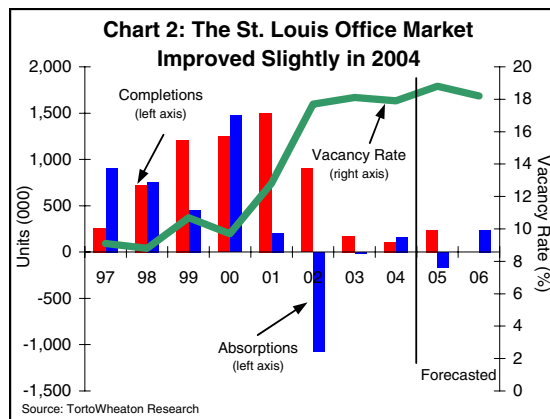
The St. Louis office market improved in the fourth quarter of 2004.

- The St. Louis office market remains weak but is starting to show modest improvement. The St. Louis office market posted absorption gains in 2004 following two years of declines (See Chart 2).

Table 1: Asset Quality and Earnings Continue to Improve at Missouri's Insured Institutions

	12-04	12-03	12-02	12-01	12-00
Capital					
Tier 1 Leverage Capital	9.2	9.0	8.9	8.8	9.0
Asset Quality					
Past Due Loan Ratio	1.38	1.66	1.86	2.15	2.07
Net Charge-off Rate	0.09	0.12	0.12	0.13	0.09
Earnings					
Pretax Return on Assets	1.42	1.39	1.42	1.31	1.39
Net Interest Margin	4.01	3.93	4.05	3.91	4.08

Source: FDIC. Figures are median percent values.



¹Established institutions are insured institutions that have been in operation for at least three years.

State Profile

- New construction in the market trailed off significantly over the past two years and is forecasted to continue at a low level through 2006. The office market also benefited from positive growth in office-using employment for the first time since 2000.
- Vacancy rates, while still high nationally, declined to 17.9 percent from 18.5 percent in the third quarter. Of the 56 largest metropolitan areas in the United States, St. Louis had the 15th highest vacancy rate.

Commercial banks are likely to face pressure to raise nonmaturity deposit rates.

- In relatively stable interest rate environments, the cost of bank nonmaturity deposits typically run at about half of the Federal funds rate. When short-term rates tumbled in 2001 and 2002, however, deposit rates failed to completely follow, indicating that nonmaturity deposit rates had reached a natural floor (See Chart 3).
- Should interest rates continue to rise, banks will likely feel increasing pressure from customers to raise deposit rates.

Missouri's farmland values increased moderately in 2004.

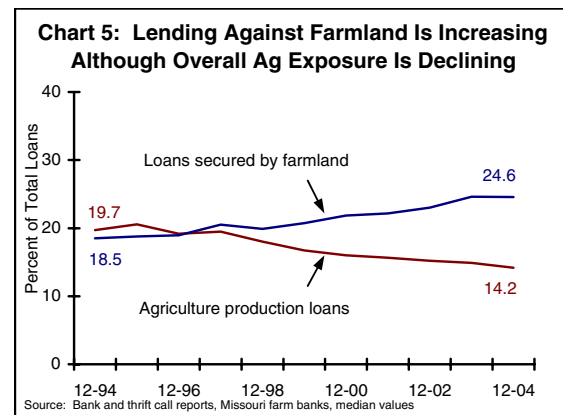
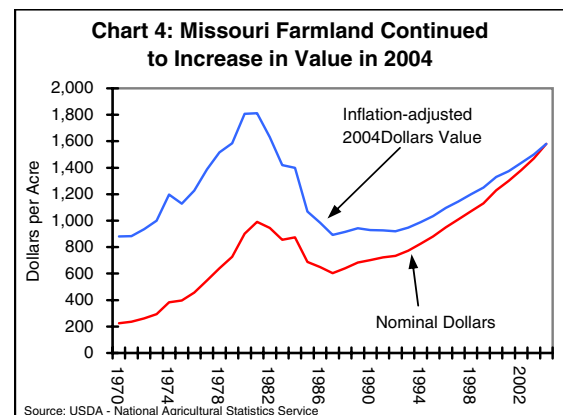
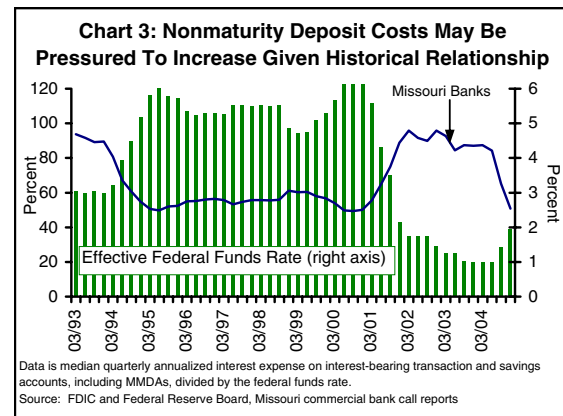
- According to the United States Department of Agriculture's annual survey of land values, the average value of Missouri farmland increased more than 7.5 percent in 2004, compared with an annual average of 6.6 percent over the previous decade (See Chart 4).
- While the average price of \$1,580 per acre was the highest recorded in current dollars, farmland prices in the 1980s were considerably higher in inflation-adjusted dollars. In 1981, for example, Missouri's average land prices exceeded \$1,812 in 2004 dollars.
- Survey respondents listed low interest rates, favorable crop yields, and investment demand as the most important influences on increasing land prices.

Farm banks are concentrating agricultural lending on farmland.

- Over the past decade, farm banks have taken steps to diversify their loan portfolios, which tend to be heavy with agriculture production loans. Such loans declined from 19.7 percent of total loans to 14.2 percent between year-end 1994 and 2004 (See Chart 5).
- Despite the overall decline in farm operating loans, reliance on farmland-secured loans increased 33 percent during that period, with much of the increase coming in recent years. The increase in farmland lending is attributable to increased demand for farmland for both

agricultural and nonagricultural uses, coupled with the stimulus of historically low interest rates.

- With nearly 25 percent of farm bank loan volume secured by farmland, its price stability becomes more important. Any unexpected shocks to farmland values, such as swift increases in interest rates, significant cuts in federal farm payments, or decreased demand for farmland used for urban expansion or recreational purposes, could have adverse effects on producers and agricultural lenders.



Missouri at a Glance

ECONOMIC INDICATORS (Change from year ago quarter, unless noted)

Employment Growth Rates	Q4-04	Q4-03	Q4-02	Q4-01	Q4-00
Total Nonfarm (share of trailing four quarter employment in parentheses)	0.9%	-0.7%	-0.4%	-1.4%	0.0%
Manufacturing (12%)	0.4%	-2.9%	-3.3%	-8.2%	-2.2%
Other (non-manufacturing) Goods-Producing (5%)	2.7%	0.7%	-3.8%	0.6%	-0.5%
Private Service-Producing (67%)	1.0%	-0.3%	0.1%	-0.9%	0.6%
Government (16%)	0.1%	-0.9%	0.7%	1.4%	-0.2%
Unemployment Rate (% of labor force)	5.8	5.5	5.3	4.9	3.8

Other Indicators	Q4-04	Q4-03	Q4-02	Q4-01	Q4-00
Personal Income	N/A	4.0%	1.9%	2.9%	5.7%
Single-Family Home Permits	6.3%	8.9%	14.0%	21.5%	-21.4%
Multifamily Building Permits	10.5%	-27.0%	44.3%	-25.7%	-19.0%
Existing Home Sales	3.6%	14.0%	5.7%	0.0%	1.7%
Home Price Index	6.5%	5.7%	5.7%	5.9%	6.0%
Bankruptcy Filings per 1000 people (quarterly level)	1.56	1.58	1.62	1.36	1.17

BANKING TRENDS

General Information	Q4-04	Q4-03	Q4-02	Q4-01	Q4-00
Institutions (#)	373	377	382	387	401
Total Assets (in millions)	91,788	86,837	80,328	76,709	71,586
New Institutions (# < 3 years)	8	6	10	13	17
Subchapter S Institutions	99	87	80	70	61

Asset Quality	Q4-04	Q4-03	Q4-02	Q4-01	Q4-00
Past-Due and Nonaccrual Loans / Total Loans (median %)	1.38	1.66	1.86	2.15	2.07
ALLL/Total Loans (median %)	1.19	1.20	1.22	1.20	1.17
ALLL/Noncurrent Loans (median multiple)	2.67	2.05	2.03	1.86	1.88
Net Loan Losses / Total Loans (median %)	0.09	0.12	0.12	0.13	0.09

Capital / Earnings	Q4-04	Q4-03	Q4-02	Q4-01	Q4-00
Tier 1 Leverage (median %)	9.16	9.03	8.87	8.78	8.96
Return on Assets (median %)	1.03	1.06	1.04	0.93	0.98
Pretax Return on Assets (median %)	1.42	1.40	1.42	1.31	1.40
Net Interest Margin (median %)	4.01	3.93	4.05	3.92	4.09
Yield on Earning Assets (median %)	5.59	5.83	6.53	7.75	8.22
Cost of Funding Earning Assets (median %)	1.58	1.86	2.55	3.89	4.17
Provisions to Avg. Assets (median %)	0.12	0.14	0.15	0.16	0.14
Noninterest Income to Avg. Assets (median %)	0.64	0.64	0.60	0.55	0.52
Overhead to Avg. Assets (median %)	2.81	2.76	2.71	2.72	2.78

Liquidity / Sensitivity	Q4-04	Q4-03	Q4-02	Q4-01	Q4-00
Loans to Assets (median %)	70.4	68.5	67.8	67.3	67.3
Noncore Funding to Assets (median %)	16.5	15.6	16.0	15.2	15.5
Long-term Assets to Assets (median %, call filers)	9.0	11.0	9.2	9.2	8.2
Brokered Deposits (number of institutions)	84	64	56	50	39
Brokered Deposits to Assets (median % for those above)	2.8	1.8	2.1	1.0	0.9

Loan Concentrations (median % of Tier 1 Capital)	Q4-04	Q4-03	Q4-02	Q4-01	Q4-00
Commercial and Industrial	76.7	76.2	81.1	80.3	76.8
Commercial Real Estate	196.6	178.5	169.9	152.7	140.8
Construction & Development	37.2	32.5	25.9	27.5	23.7
Multifamily Residential Real Estate	2.8	2.8	3.3	2.9	2.4
Nonresidential Real Estate	131.5	130.1	124.0	111.2	99.3
Residential Real Estate	218.7	218.1	232.5	237.3	237.8
Consumer	45.4	51.4	57.1	61.9	66.2
Agriculture	86.9	80.9	85.3	87.0	84.9

BANKING PROFILE

Largest Deposit Markets	Institutions in Market	Deposits (\$ millions)	Asset Distribution	Institutions
St. Louis, MO-IL	134	44,238	< \$250 mil.	307 (82.3%)
Kansas City, MO-KS	154	31,123	\$250 mil. to \$1 bil.	55 (14.7%)
Springfield, MO	43	6,134	\$1 bil. to \$10 bil.	10 (2.7%)
Jefferson City, MO	23	2,695	> \$10 bil.	1 (0.3%)
Columbia, MO	19	2,021		